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CANOLA: SITUATION AND OUTLOOK

For 2006-2007, world production of rapeseed/canola is forecast to decrease slightly from 2005-2006, resulting from lower output from Canada and China. In Canada, lower production was partly offset by high carry-in stocks for 2006-2007, resulting in high supply for the second consecutive year. Canadian exports are forecast to increase to a new record from 2005-2006 and domestic crush is expected to rise marginally, following the expansion of the domestic processing industry. Canola prices are forecast to average 30-40% above 2005-2006, supported by the rise in United States (US) soybean prices and European Union (EU) demand for biofuels. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for canola.

SITUATION

World Oilseed Situation

For 2006-2007, world production of the 7 major oilseeds is estimated at 390.4 million tonnes (Mt), up from 388.3 Mt in 2005-2006, due largely to increased soybean production. Trade and crush for the major oilseeds are forecasted to reach record levels of 81.0 Mt and 325.9 Mt, respectively. As a result, carry-out stocks are forecast to be marginally lower at 61.1 Mt.

World Canola/Rapeseed Situation

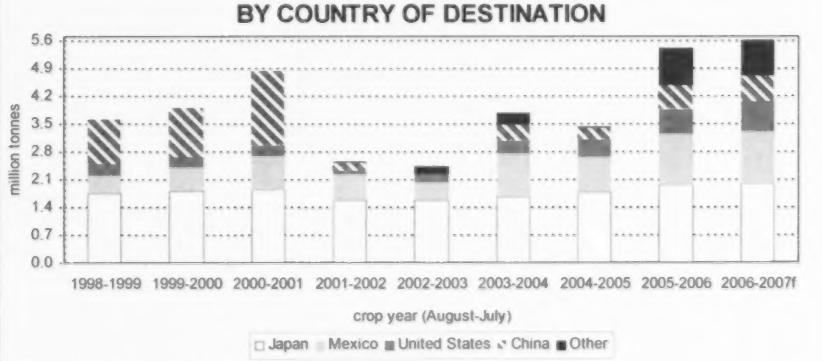
World canola/rapeseed production for 2006-2007 is estimated to decrease by 3% to 47.2 Mt due to lower production in Canada and China. As a result of high carry-in stocks, supply is estimated to be lower than 2005-2006, but remains historically high. Prices are expected to rise from the low of 2005-2006 due to increased use. World trade is expected to remain high and crush is expected to increase to record levels, largely because of strong growth in industrial demand, especially in the EU and the US.

MAJOR IMPORTERS

Japan

Japan is the world's largest importer of canola, averaging about 2.2 Mt per year and has been a significant market for Canadian canola. Canada has been exporting canola to Japan since the early 1960s and exports have been trending upwards since that time. From 2001-2002 to 2005-2006, Japan on average has purchased 47% of the canola exported from Canada. Japan is Canada's largest importer of canola, importing a record 1.96 Mt in 2005-2006 at value of about CAN$625 million. For 2006-2007, Japan is expected to import about 2.3 Mt of canola, with 2.0 Mt from Canada.

CANADA: CANOLA EXPORTS BY COUNTRY OF DESTINATION



f forecast, AAFC, November 28, 2006
Source: Statistics Canada

China

For 2006-2007, China's rapeseed production is estimated to decrease to 12.2 Mt, from 13.1 Mt in 2005-2006, largely due to lower seeded area. Demand for rapeoil in China is expected to exceed domestic supply in 2006-2007. The majority of rapeseed in China is crushed for domestic oil and meal use, although small amounts of rapeseed exports have occurred. Although soyoil remains the top oil in China, rapeseed oil is second, accounting for nearly 30% of the market. Rapeseed oil imports are expected to increase for 2006-2007, as long as canola prices are competitive and the price ratio between soybean oil and canola oil in the Chinese market favours canola oil. Canola/rapeseed imports are forecasted to reach 0.7 Mt, up from 0.5 Mt in 2005-2006, with Canada expected to be the main supplier.

European Union

Encouraged by significant new investments in crushing facilities by biodiesel manufacturers, EU producers harvested a record 5.1 million hectares (Mha) of rapeseed, up 7% from 2005-2006. However, hot, dry weather in the weeks prior to harvest significantly reduced yields and oil content. EU rapeseed production for 2006-2007 is estimated at 15.5 Mt, unchanged from 2005-2006 as lower production in France was offset by higher production in the Czech Republic and Germany. EU rapeseed supply is projected to decrease marginally in 2006-2007 due to lower carry-in stocks. Growth in biodiesel demand recently has focused on rapeseed due to domestic supply and the crop's physical properties. Domestic crush is forecast to rise by 9% to a record 16.4 Mt

Canada

and exports are forecast to fall marginally to less than 0.1 Mt. Imports, however, are expected to nearly double to a record 1.0 Mt, mostly from Eastern Europe to meet domestic demand. EU rapeseed oil consumption is forecast to rise to a record 7.2 Mt in 2006-2007, with 4.7 Mt of this for industrial use, an increase of 25% from 2005-2006. EU rapeseed meal demand is projected to rise by 8%, to a record 9.3 Mt, due to increased crushing, lower prices and rising rapeseed meal supply.

United States

In the US, 2006-2007 canola production is estimated at 570,000 t, down from 719,000 t in 2005-2006, because of decreased yields and a 13% decline in harvested area, estimated at 0.4 Mha. The shift out of canola area is attributed to the following: high input costs associated with canola production; the expectation of better returns from alternative crops such as flaxseed; the availability of attractive malting barley contracts; and, increased production of soybeans in North Dakota, which has traditionally been the largest canola producing state in the US. For 2006-2007, the US is expected to import a record 0.7 Mt and crush a record 1.2 Mt of canola, both up marginally from last year. US imports of Canadian oil are also expected to increase in 2006-2007.

India

Rapeseed production for 2006-2007 is estimated at 6.8 Mt, up from 6.2 Mt in 2005-2006. Trade in the rapeseed complex will be limited to small imports of rapeseed and rapemeal exports, which are forecast at 0.6 Mt, down marginally from last year. India is the world's third largest consumer of vegoils and is expected to reach 13.1 Mt in 2006-2007.

MAJOR EXPORTERS

Australia

For 2006-2007, Australia's canola production is estimated at 0.4 Mt, down sharply from 1.4 Mt in 2005-2006 mainly due to drought. Seasonal conditions have deteriorated in Australia since the middle of September with very little precipitation. With supply expected to fall sharply, exports are forecast at 0.3 Mt, down from 0.8 Mt in 2005-2006.

Transgenic canola is still effectively on-hold in the short term in Australia due to the moratoriums imposed by state governments. These are due to end by 2008. Two canola products, Roundup Ready varieties and InVigor hybrids, were effectively ready for large scale demonstrations and commercial release when the moratoriums were imposed. Trials of these products had already shown them to be highly competitive.

Former Soviet Union

Rapeseed production for 2006-2007 is estimated at a record 1.4 Mt, up 47% from last year. Strong demand from the EU biodiesel industry and reduced returns from cereal grain production stimulated Ukrainian and Russian producers to increase areas of both winter and spring rapeseed. Rapeseed exports, largely to the EU, are projected at a record 0.9 Mt, up from 0.3 Mt in 2005-2006. The Former Soviet Union also exports small amounts of rapeoil.

Canada

Canadian canola harvested area fell marginally in 2006-2007 in response to large stocks, low returns realized in the past year, and a lower price outlook for canola relative to other field crops being considered. Production is estimated at 8.5 Mt, down 12% from 2005-2006, due to lower yields. Supply decreased by 6%, but remains historically high, as the lower production was partly offset by record carry-in stocks. The large available supply coupled with the expansion of the domestic processing industry is expected to encourage a marginal increase in domestic canola crush, forecast at a record 3.5 Mt in 2006-2007. Canola exports are expected to rise slightly from 2005-2006 to a record 5.6 Mt because of lower competition from Australia.

The major international markets for Canadian canola are Japan, Mexico, China, and the US. Canadian canola exports to Mexico have increased from 0.4 Mt to 1.3 Mt in the last 10 years, which reflects the increased demand from Mexican crushers for higher yielding oilseeds. More recently, Turkey, Bangladesh and the United Arab Emirates have imported small quantities of Canadian canola. Canadian canola oil and canola meal exports to the US have grown by over 70% in the last 10 years and are expected to continue to trend upwards. Canadian canola oil exports to the EU have increased to about 245,000 t for 2005-2006. In addition, increased consumer awareness of canola's health and nutritional benefits is expected to increase the demand for canola oil.

Prices

Canola prices (in-store Vancouver) have increased significantly since August 2006 and have averaged $321/t for the 2006-2007 crop year to-date. On November 29, 2006, canola was quoted at $385/t versus $262/t a year earlier. The canola oil price was $706/t (super degummed, in-store Vancouver) on November 5. The canola meal price was $117/t (in-store Vancouver) on November 27.

For 2006-2007, the price of canola (in-store, Vancouver) is forecast to average CAN$350-390/t, up sharply from CAN$278/t in 2005-2006, which was the lowest level since 1991-1992. Prices are expected to be supported by the higher US soybean prices and increased EU demand for biofuels. It must be noted that the Canada/US exchange rate will continue to play an important role in influencing the price of Canadian canola in 2006-2007. A stronger Canadian dollar undermines the ability of Canada's canola industry to compete in world markets, and it results in lower returns to Canadian producers.

WORLD: CANOLA/RAPESEED AND PRODUCTS SUPPLY AND DISPOSITION

	2004 -2005	2005 -2006	2006 -2007f
	.....million tonnes.....		
CANOLA/RAPESEED			
Carry-in Stocks	1.73	5.02	5.69
Production			
European Union	*15.33*	*15.48*	*15.47*
China	*13.18*	*13.05*	*12.20*
Canada	*7.73*	*9.66*	*8.49*
India	*6.50*	*6.20*	*6.80*
Other	*3.35*	*4.08*	*4.20*
Total Production	46.09	48.47	47.16
Total Supply	**47.82**	**53.49**	**52.85**
Crush	40.20	45.62	46.86
Other Use	2.60	2.78	2.94
Total Use	42.80	48.40	49.64
Carry-out Stocks	5.02	5.09	3.21
Trade	5.30	7.40	7.40
CANOLA/RAPESEED OIL			
Carry-in Stocks	1.35	1.14	1.36
Production	15.85	18.03	18.59
Total Supply	**17.20**	**19.17**	**19.95**
Total Use	**16.06**	**17.81**	**18.68**
Carry-out Stocks	1.14	1.36	1.27
Trade	1.37	1.82	1.90
CANOLA/RAPESEED MEAL			
Carry-in Stocks	0.23	0.15	0.17
Production	23.85	26.76	27.53
Total Supply	**24.08**	**26.91**	**27.70**
Total Use	**23.93**	**26.74**	**27.51**
Carry-out Stocks	0.15	0.17	0.19
Trade	2.35	2.58	2.51

f: forecast AAFC, November 2006
Source: USDA, Oil World

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

November 27, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	November 27, 2006	FOB	205.00	N/A	192.00	213.00		286.50	170.00	150.00		1012.50	520.00					385.00
BC (4) (7)	November 20, 2006		192.00	N/A	185.00	211.00		282.50	176.00	150.00		1012.50	520.00					385.00
Calgary	November 27, 2006	FOB	164.00	N/A	166.00	197.00		278.00			150.00	1100.00	460.00					350.00
AB (4)	November 20, 2006		163.00	N/A	159.00	197.00		275.00			160.00	1100.00	460.00					350.00
Saskatoon	November 27, 2006	FOB	160.00	180.00	145.00	180.00		279.00	N/A		160.00	N/A	460.00			157.50		360.00
SK (4)	November 20, 2006		156.00	172.00	136.50	180.00		276.00	N/A		160.00	N/A	460.00			145.00		350.00
Winnipeg	November 27, 2006	FOB	159.50	140.00	136.00	170.00		261.00	N/A		255.00	1137.50	515.00					380.00
MB (4) (9)	November 20, 2006		159.50	140.00	136.00	170.00		256.50	N/A		255.00	1137.50	515.00					380.00
Thunder Bay	November 27, 2006	In-Store	156.50	N/A	169.00													
ON (8)	November 20, 2006		156.50	N/A	167.50													
Lake Ports	November 27, 2006	On Board				170.63												
USA (3)	November 20, 2006	Vessel				164.77												
Bay Ports	November 27, 2006	In-Store	212.00	210.00	190.00													
ON	November 20, 2006		212.00	210.00	190.00													
Chatham	November 27, 2006	Track				151.45												
ON	November 20, 2006					148.79												
Toronto	November 27, 2006	N/A					FOB				241.00		465.00	N/A	N/A		285.00	290.00
ON (5)	November 20, 2006										243.33		455.00	N/A	N/A		285.00	290.00
Hamilton	November 27, 2006	N/A						263.23	N/A									
ON	November 20, 2006							258.38	N/A									
Eastern	November 27, 2006	FOB				162.00												
ON	November 20, 2006					153.00												
London	November 27, 2006	FOB												340.00	75.00			
ON	November 20, 2006													340.00	75.00			
Port Colborne	November 27, 2006	FOB								92.50				340.00	75.00			
ON	November 20, 2006									92.50				340.00	75.00			
Cardinal	November 27, 2006	FOB												345.00	90.00			
ON	November 20, 2006													345.00	90.00			
Montreal	November 27, 2006		215.00	165.00	190.00	189.00		281.53	197.95	124.00	180.00	N/A	468.00	N/A	N/A		270.00	360.00
QC (5)	November 20, 2006		215.00	165.00	190.00	189.00	FOB	277.23	191.78	116.67	180.00	N/A	468.00	N/A	N/A		270.00	360.00
Trois-Rivières	November 27, 2006	In-Store	223.00		204.20	196.54												
QC	November 20, 2006		223.40		197.00	187.10												
St. Jean QC (2)	November 27, 2006	FOB	195.33	148.00	177.50	178.97		278.07										
St. Hyacinthe QC	November 20, 2006		197.67	148.33	161.33	175.59		275.20										
Quebec	November 27, 2006	In-Store	218.32	N/A	198.35	188.46		280.52	231.79									
QC	November 20, 2006		218.40	N/A	196.06	187.60		277.57	228.91									
Truro	November 27, 2006	Track	253.48	N/A	222.71	219.26		317.57	230.02		299.60		664.00					300.00
NS	November 20, 2006		262.36	N/A	222.71	214.45	FOB	327.52	230.02		289.10		631.00					290.00
Truro	November 27, 2006	Water	N/A	N/A	N/A	N/A												
NS	November 20, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	November 27, 2006	In-Store	232.25	N/A	N/A	217.20		321.70	268.70	297.50		N/A						
NS (6)	November 20, 2006		234.75	N/A	N/A	212.00		331.20	260.00	297.50		N/A						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US$1.00 = CAN$ 1.1346

Closing date November 24/2006

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N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 27, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week November 27, 2006	Last week November 14, 2006	Month ago October 30, 2006	Year Ago November 28, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	183.00	183.00	173.00	122.00
(CBOT)		Oat	257.50	264.50	240.50	180.50
(Lethbridge)		Barley	162.00	155.00	154.00	110.00
To: Bayport, ON (1)	In-store	Wheat	206.61	206.61	196.61	145.61
		Oat	N/A	N/A	N/A	N/A
		Barley	189.39	182.39	181.39	137.39
Montreal, QC (1)	In-store	Wheat	211.03	211.03	201.03	150.03
		Oat	N/A	N/A	N/A	N/A
		Barley	194.31	187.31	186.31	142.31
Moncton, NB	Truck via Halifax	Wheat	233.25	233.25	223.25	172.25
		Oat	N/A	N/A	N/A	N/A
		Barley	218.50	211.50	210.50	166.50
Truro, NS	Truck via Halifax	Wheat	227.22	227.22	217.22	166.22
		Oat	N/A	N/A	N/A	N/A
		Barley	216.00	209.00	208.00	164.00
Halifax, NS (1)	In-store	Wheat	218.28	218.28	208.28	157.28
		Oat	N/A	N/A	N/A	N/A
		Barley	202.30	195.30	194.30	150.30
Stephenville, NL	Track / Truck via Sydney	Wheat	281.63	281.63	271.63	220.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Bayport, ON	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Montreal, QC	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Moncton, NB	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Truro, NS	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Stephenville, NL	Track / Truck via Sydney	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week November 27, 2006	Last Week November 14, 2006	Month Ago October 30, 2006	Year Ago November 28, 2005
Corn						
From: US Lake Port	On Board Vessel		170.63	153.79	153.94	85.04
To: Montreal, QC (1)	In-store		189.67	172.83	172.98	104.08
From: Chicago (IL)	Track		166.27	151.12	145.79	92.17
To: Montreal, QC	Track		195.13	179.98	174.65	121.03
From: Chatham, ON	Track		151.45	142.78	146.41	103.43
To: Montreal, QC	Track		175.32	166.65	170.28	127.30
Soymeal 48% Protein						
From: Hamilton, ON			263.23	259.92	262.02	253.64
To: Montreal, QC	Track		287.56	284.25	286.35	277.97
Moncton, NB	Track		306.31	303.00	305.10	296.72
Truro, NS	Track		309.53	306.22	308.32	299.94
Stephenville, NL	Track / Truck via Sydney		358.16	354.85	356.95	348.57

n/a = not available

1. Prices include ONE month of storage and interest charges
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

November 14, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	November 14, 2006	FOB	195.00	N/A	182.00	200.00		284.00	178.50	155.00		1012.50	520.00					385.00
BC (4) (7)	November 6, 2006		192.00	N/A	178.00	200.00		285.50	178.50	155.00		1012.50	510.00					385.00
Calgary	November 14, 2006	FOB	163.00	N/A	159.00	185.00		267.00			150.00	1100.00	450.00					350.00
AB (4)	November 6, 2006		164.00	N/A	158.00	185.00		268.50			150.00	1100.00	430.00					350.00
Saskatoon	November 14, 2006	FOB	145.00	172.00	138.00	167.00		270.00	N/A		160.00	N/A	450.00			138.33		360.00
SK (4)	November 6, 2006		145.00	172.00	138.00	167.00		271.50	N/A		160.00	N/A	430.00			138.33		360.00
Winnipeg	November 14, 2006	FOB	159.50	140.00	135.00	163.00		250.50	N/A		255.00	1112.50	515.00					380.00
MB (4) (9)	November 6, 2006		159.50	140.00	131.00	163.00		253.50	N/A		255.00	1112.50	515.00					380.00
Thunder Bay	November 14, 2006	In-Store	156.15	N/A	167.25													
ON (8)	November 6, 2006		154.00	N/A	131.55													
Lake Ports	November 14, 2006	On Board				153.79												
USA (3)	November 6, 2006	Vessel				152.16												
Bay Ports	November 14, 2006	In-Store	211.00	210.00	190.00													
ON	November 6, 2006		211.00	210.00	190.00													
Chatham	November 14, 2006	Track				142.78												
ON	November 6, 2006					143.40												
Toronto	November 14, 2006	N/A					FOB				237.00		455.00	N/A	N/A		285.00	290.00
ON (5)	November 6, 2006										214.67		415.00	N/A	N/A		285.00	290.00
Hamilton	November 14, 2006	N/A						259.92	N/A									
ON	November 6, 2006							264.00	N/A									
Eastern	November 14, 2006	FOB				149.50												
ON	November 6, 2006					146.50												
London	November 14, 2006	FOB												340.00	75.00			
ON	November 6, 2006													340.00	75.00			
Port Colborne	November 14, 2006	FOB								87.50				340.00	75.00			
ON	November 6, 2006									86.00				340.00	75.00			
Cardinal	November 14, 2006	FOB												345.00	90.00			
ON	November 6, 2006													345.00	90.00			
Montreal	November 14, 2006		215.00	170.00	178.00	168.00		277.38	199.10	110.00	180.00	N/A	460.00	N/A	N/A		270.00	360.00
QC (5)	November 6, 2006		215.00	160.00	178.00	178.00	FOB	277.41	197.10	108.33	180.00	N/A	460.00	N/A	N/A		270.00	360.00
Trois-Rivières	November 14, 2006	In-Store	219.50		167.50	182.08												
QC	November 6, 2006		212.00		174.90	179.62												
St. Jean QC (2)	November 14, 2006	FOB	189.00	151.67	159.33	161.75		272.39										
St. Hyacinthe QC	November 6, 2006		186.67	150.00	156.33	166.72		271.90										
Quebec	November 14, 2006	In-Store	216.30	N/A	192.49	182.08		259.42	223.71									
QC	November 6, 2006		214.20	N/A	192.56	174.16		276.34	222.30									
Truro	November 14, 2006	Track	253.48	N/A	232.81	205.97		315.37	224.73		286.10		631.00					290.00
NS	November 6, 2006		252.38	N/A	232.81	200.12	FOB	306.39	224.73		283.10		631.00					290.00
Truro	November 14, 2006	Water	N/A	N/A	N/A	N/A												
NS	November 6, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	November 14, 2006	In-Store	234.75	N/A	N/A	211.93		330.00	272.75	297.50		N/A						
NS (6)	November 6, 2006		240.25	N/A	N/A	204.15		318.75	264.05	297.50		N/A						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close **US$1.00 = CAN$ 1.1307** **Closing date November 10/2006**

Contact: André Doumbè Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 14, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week November 14, 2006	Last week October 30, 2006	Month ago October 16, 2006	Year Ago November 14, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	183.00	173.00	160.00	118.00
(CBOT)		Oat	264.50	240.50	236.50	167.75
(Lethbridge)		Barley	155.00	154.00	149.00	109.00
To: Bayport, ON (1)	In-store	Wheat	206.61	196.61	183.61	141.61
		Oat	N/A	N/A	N/A	N/A
		Barley	182.39	181.39	176.39	136.39
Montreal, QC (1)	In-store	Wheat	211.03	201.03	188.03	146.03
		Oat	N/A	N/A	N/A	N/A
		Barley	187.31	186.31	181.31	141.31
Moncton, NB	Truck via Halifax	Wheat	233.25	223.25	210.25	168.25
		Oat	N/A	N/A	N/A	N/A
		Barley	211.50	210.50	205.50	165.50
Truro, NS	Truck via Halifax	Wheat	227.22	217.22	204.22	162.22
		Oat	N/A	N/A	N/A	N/A
		Barley	209.00	208.00	203.00	163.00
Halifax, NS (1)	In-store	Wheat	218.28	208.28	195.28	153.28
		Oat	N/A	N/A	N/A	N/A
		Barley	195.30	194.30	189.30	149.30
Stephenville, NL	Track / Truck via Sydney	Wheat	281.63	271.63	258.63	216.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week November 14, 2006	Last Week October 30, 2006	Month Ago October 16, 2006	Year Ago November 14, 2005
Corn						
From: US Lake Port	On Board Vessel		153.79	153.94	137.16	86.73
To: Montreal, QC (1)	In-store		172.83	172.98	156.20	105.77
From: Chicago (IL)	Track		151.12	145.79	136.26	89.31
To: Montreal, QC	Track		179.98	174.65	165.12	118.17
From: Chatham, ON	Track		142.78	146.41	139.72	106.63
To: Montreal, QC	Track		166.65	170.28	163.59	130.50
Soymeal 48% Protein						
From: Hamilton, ON			259.92	262.02	247.69	266.43
To: Montreal, QC	Track		284.25	286.35	272.02	290.76
Moncton, NB	Track		303.00	305.10	290.77	309.51
Truro, NS	Track		306.22	308.32	293.99	312.73
Stephenville, NL	Track / Truck via Sydney		354.85	356.95	342.62	361.36

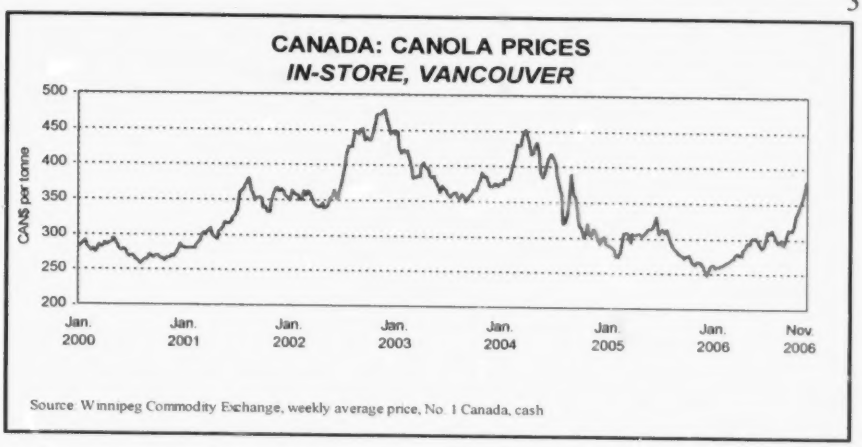
1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Canola Crush Margins

The Board crush margin is an index of the general economic well-being of the oilseed processing sector. Board crush margins are not a predictor of crushing activity because the timing of purchases and sales by individual firms does not necessarily coincide with the timing of published prices for oilseeds and their products. The Canadian canola crush margin has been historically low for 2006-2007 to-date, largely due to the combination of lower soymeal prices and higher canola prices compared to last year. For 2006-2007 to date (August-October), the Canadian canola crush margin has averaged CAN$43/t, compared to CAN$75/t for all of 2005-2006.



Source: Winnipeg Commodity Exchange, weekly average price, No. 1 Canada, cash

MAJOR DEVELOPMENTS IN THE CANADIAN CANOLA SECTOR

Expansion of the Canadian Oilseed Crush Industry

Canada crushed a record 3.42 Mt of canola in 2005-2006 (August-July) and is expected to exceed this total in 2006-2007. The increasing interest in canola crushing is largely due to the growing international demand for biodiesel and increased US edible oil demand. Canada will need to increase canola production in order to sustain the rising demand from its domestic crushers, due to recent announcements on expansion and new processing plants which will be built in Canada.

CANADA: CANOLA AND PRODUCTS SUPPLY AND DISPOSITION

	2004 -2005	2005 -2006	2006 -2007f
	.....thousand tonnes.....		
CANOLA			
Carry-in Stocks	608	1,587	2,019
Production	7,728	9,660	8,485
Imports	108	140	150
Total Supply	**8,444**	**11,387**	**10,654**
Exports	3,412	5,412	5,600
Crush	3,031	3,423	3,450
Other Use	414	533	454
Total Use	**6,857**	**9,368**	**9,504**
Carry-out Stocks	1,587	2,019	1,150
CANOLA OIL			
Carry-in Stocks	30	30	30
Production	1,247	1,506	1,518
Imports	10	10	10
Total Supply	**1,287**	**1,546**	**1,558**
Exports	896	1,150	1,183
Domestic Use	361	366	375
Total Use	**1,257**	**1,516**	**1,528**
Carry-out Stocks	30	30	30
CANOLA MEAL			
Carry-in Stocks	25	35	35
Production	1,904	2,118	2,118
Imports	5	5	5
Total Supply	**1,934**	**2,158**	**2,158**
Exports	1,414	1,623	1,650
Domestic Use	485	500	508
Total Use	**1,899**	**2,123**	**2,123**
Carry-out Stocks	35	35	35

f: forecast, AAFC, November 28, 2006
Source: Statistics Canada

In September 2006, James Richardson International (JRI) and Louis Dreyfus Canada independently announced that they would both be building canola crushers in Yorkton, Saskatchewan (SK), capable of annually processing 0.84 Mt and 0.85 Mt of canola, respectively. Both facilities are expected to be operational by 2008. JRI's plant will also be able to refine canola oil.

In addition to the 1.7 Mt of additional crush capacity being built in Yorkton, SK, a number of other crush plants have also announced expansion programs. Cargill Ltd. is planning a major expansion of its canola processing plant in Clavet, SK, in 2007, to a capacity of 3,000 tonnes per day (t/day), up from the current 2,200 t/day. The expansion of Bunge's Nipawin, SK plant, to 1,400 t/day, is expected to increase its crush capacity and more than double its current refining capacity. Canadian Bioenergy stated that initial annual production plans are for a 114 million litres (ML) canola-based biodiesel plant in Fort Saskatchewan, Alberta (AB) in 2007. Advanced Biodiesel Group of Calgary plans to build a 20 million litre plant near Irricana, AB, and Dominion Energy Services announced construction of a $400 million canola crushing, biodiesel and ethanol plant in central-Alberta expected to produce 374 ML each of biodiesel and ethanol per year. Both of these companies are expected to commence construction in the spring of 2007. In total, assuming the plans are realized, these new plants would increase Canadian canola crush capacity to about 7.0 Mt, from about 4.0 Mt in 2005-2006.

The Dakota Skies Biodiesel plant in Minot, North Dakota (ND) scheduled to open in September 2007, plans to produce 30 million gallons (114ML) of biodiesel fuel per year, using about 0.25 Mt of canola. In Velva, ND, the Archer Daniels Midland Company's (ADM) plant will require 0.7 Mt of canola annually once it opens in April 2007. It is expected that the two plants combined will require about 0.5 Mt of Canadian canola, as North Dakota's canola production could not supply the two plants.

Biodiesel Demand

Despite the recent World Trade Organization Panel ruling on the approval and marketing of biotech products in the EU, it could be some time before genetically modified (GM) canola is welcome in the EU, according to the Canola Council of Canada (the Council). While Canadian canola oil is moving freely to Europe, restrictions on GM seed have kept unprocessed Canadian canola out since 1997-1998. The Council has said the process to open European borders is moving forward, but they are unsure when it will be resolved. EU demand for canola seed is growing, due largely to the biodiesel sector. The EU has mandated a 5.75% biofuel use by 2010. With EU domestic crush capacity not large enough to meet demand, Canadian canola oil has been making its way to Europe through third parties, such as Dubai and China, which is crushing the Canadian seed and shipping the oil to Europe. The Council stated the

economics would be much more favourable if Canada could just move the canola seed directly to the EU. If not for the GM restrictions, the Council estimated that between 0.3 and 0.4 Mt of Canadian canola could have been exported to the EU in 2005-2006. That level of demand could easily double in 2006-2007, making the opening of EU borders to Canadian canola an important priority for Canada.

Canadian Canola Innovation

Canadian producers have readily adopted transgenic canola varieties since their introduction in 1995. In 2004, transgenic Roundup Ready and Liberty Link varieties were responsible for about 75% of the total Canadian area seeded to canola, while nearly 18% of the area was a type of transgenic Clearfield variety. The early stages of transgenic development in canola in Canada focused mainly on herbicide tolerance and transgenic pollination control evaluation. The focus has shifted to hybrids over the past few years and now the predominate traits of interest include stress tolerance, metabolic pathway enhancement and biotic stress resistance.

According to a Council study, Canadian canola growers reported an average increase of CAN$5.80 per acre ($14.30/ha) in net return on their transgenic canola acres compared to conventional acres in 1999-2000, due to higher yields and less dockage. In addition, herbicide and tillage costs were lower while seed, fertilizer and the technology use agreement costs were higher for transgenic canola. While conventional canola production has lower seed and fertilizer costs, the costs of field operations, scouting and other services were higher.

Hybrid canola has been under development in Canada for several years. Most hybrid canola varieties are also transgenic. Hybrids have steadily increased their market share reaching approximately 35% market share in 2003 and approximately 50% market share in 2004. In 2004, the InVigor hybrids captured approximately 31% of the market while 18-20% of the market consisted of Roundup Ready hybrids. The yield potential of hybrids has been demonstrated commercially for the past few years and prairie wide variety evaluation trials have consistently shown that the yield improvement of the new Liberty or Roundup hybrids is 20-25% above standard varieties. Additional value of growing hybrids has been reported by growers due to increased yields, reduced dockage in harvested seed, greater uniformity in the crop stand, stress tolerance, reduced pod shatter due to uniformity of plant stands and reduced green seed. Widespread adoption of hybrids has been taking place even with significant increases in pedigreed seed prices and the technology use agreement fee associated with Roundup Ready varieties.

Specialty Oils

Canola's share of the specialty-oil market is expected to grow from approximately 5% of the area in 2002-2003 (0.2 Mha) to more than 0.8 Mha (15% of seeded area) by 2007-2008. Companies have generally ensured vertical integration of the production of the specialty oil varieties and offer contract production opportunities to producers with premiums.

The growth in demand is expected to come largely from the North American food processing industry that must find a replacement for hydrogenated oils, from Japan (specialty canola represents about 5% of Japanese imports), and from the European market that sees it as a non-genetically modified alternative (Natreon brand only). In addition to use of high oleic, low linolenic oils in the food industry, there is potential for use of the same profile oil in industrial applications, for example polyurethane production through transesterification of high oleic oil for production of automobile seat cushions, and use as a base in cosmetics.

US Food and Drug Administration Health Claim

The US Food and Drug Administration announced on October 6, 2006 that canola oil is now eligible to bear a qualified health claim on its ability to reduce the risk of coronary heart disease (CHD) due to its unsaturated fat content. The claim, which canola oil bottlers and manufacturers of eligible products may use on labels, states: "Limited but not conclusive scientific evidence suggests that eating about 1.5 tablespoons (19 grams) of canola oil daily may reduce the risk of coronary heart disease due to the unsaturated fat content in canola oil." To achieve this possible benefit, canola oil is required to replace a similar amount of saturated fat so that the total number of calories consumed per day does not increase.

OUTLOOK

For 2007-2008, Canadian canola seeded area and production are forecast to rise by about 10%, assuming trend yields. Canadian canola supply is projected to increase marginally from 2006-2007 and remain historically high. As a result, domestic canola crush is expected to rise from the record crush this year as new biodiesel plants begin operation. Canadian canola exports are forecast to decrease marginally from 2006-2007 but remain historically high.

Medium-Term Outlook

A study commissioned by the Council in 2006 to examine the potential sources for increased canola oil production in western Canada to meet biodiesel demand. The study concluded given the expected rates of improvement in yield, increase in oil content and the adoption of new canola hybrids, Canadian canola production could reach 13.0-14.0 Mt in 2015, with the potential to produce about 5.5-6.2 Mt of canola oil.

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